

**Voyageur Academy**

**Detroit, Michigan**

**Audited Financial Statements**

**June 30, 2008**

**CROSKEY, LANNI & COMPANY, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS**

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David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton F. Powell Jr., CPA

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of Voyageur Academy**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Voyageur Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Voyageur Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Voyageur Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through vii, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Voyageur Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Croskey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

This section of the Voyageur Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Voyageur Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as non-major funds.

#### *Management's Discussion and Analysis (MD&A)* *(Required Supplemental Information)*

#### **Basic Financial Statements**

#### *Academy-wide Financial Statements      Fund Financial Statements*

#### *Notes to the Basic Financial Statements*

#### *(Required Supplemental Information)* *Budgetary Information for Major Funds*

#### *Other Supplemental Information*

### ***Reporting the Academy as a Whole - Academy-wide Financial Statements***

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the Academy's Most Significant Funds - Fund Financial Statements***

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

### **The Academy as a Whole**

Recall that the statement of net assets provides the perspective of the Academy as a whole. Following is a summary of the Academy's net assets as of June 30, 2008 and June 30, 2007.

#### **Voyageur Academy's Net Assets**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,561,008	\$ 2,762,346
Capital assets	<u>542,579</u>	<u>394,411</u>
Total assets	<u>3,103,587</u>	<u>3,156,757</u>
Long-term debt outstanding	-	-
Other liabilities	<u>655,885</u>	<u>629,306</u>
Total liabilities	<u>655,885</u>	<u>629,306</u>
Net assets	<u>\$ 2,447,702</u>	<u>\$ 2,527,451</u>

The above analysis focuses on the net assets. The change in net assets (see Statement of Activities schedule) of the Academy's governmental activities is discussed below. The Academy's net assets were \$2,447,702 at June 30, 2008. Capital assets totaling \$542,579 compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. The Academy has no outstanding long-term debt. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations. The Academy has no restricted net assets.

The \$2,447,702 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal year 2008 and 2007.

#### Changes in Voyageur Academy's Net Assets

Revenues:	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services	\$ 6,617	\$ 16,774
Federal and state operating grants	1,143,019	1,108,896
General revenues:		
State aid - unrestricted	5,390,313	5,388,761
Interest	4,721	5,547
Miscellaneous	5,108	(378)
Total revenues	<u>6,549,778</u>	<u>6,519,600</u>
Expenses:		
Instruction	2,323,187	2,428,663
Support services	4,224,125	3,517,733
Unallocated depreciation	82,215	69,006
Total expenses	<u>6,629,527</u>	<u>6,015,402</u>
Increase (decrease) in net assets	<u>\$ (79,749)</u>	<u>\$ 504,198</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$6,629,527. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$1,143,019). We paid for the remaining "public benefit" portion of our governmental activities with \$5,390,313 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The Academy experienced a decrease in net assets of \$79,749. The key reason for the change in net assets was increased expenses for construction planning.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

### **The Academy's Funds**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a fund balance of \$1,905,123, which is a decrease of \$227,917 from last year. The primary reason for the decrease was, again, the addition of construction planning expenses in this year's budget.

General Fund balance is available to fund costs related to allowable school operating purposes.

### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2007-2008 General Fund original budget. Budgeted revenues were increased \$44,864 due to an increase in federal grant funds compared to what was originally budgeted.

Budgeted expenditures were increased \$340,385 to account mainly for an increase in salaries and purchased professional services resulting from the Academy's revised operating plan and construction planning expenses. The amount of transfers to other funds established in the amended budget was \$110,615 and represents support provided by the General Fund to other functions.

There were variances between the final budget and actual amounts disclosed in the notes to the financial statements.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2008, the Academy had \$542,579 invested in a broad range of capital assets, including construction in process, building improvements and furniture and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$148,168, or 37.5 percent, from last year.

This year's additions of \$148,168 consisted mainly of construction in process and building improvements.

A major capital project to construct a new operating facility is planned for the 2008-2009 fiscal year. We anticipate capital additions will be significantly more than the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the Academy's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2009 budget was adopted in May 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 85 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009 school year, we anticipate that the fall student count will be slightly more than estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

# VOYAGEUR ACADEMY

## STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 1,287,401
Due from other governmental units	1,162,177
Prepaid expenses	<u>111,430</u>
Total current assets	2,561,008

#### Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$480,584	<u>542,579</u>
Total assets	<u>\$ 3,103,587</u>

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 56,849
Deferred revenue	50,427
Other accrued expenses	<u>548,609</u>
Total current liabilities	655,885

#### Net Assets

Invested in capital assets	542,579
Unrestricted	<u>1,905,123</u>
Total net assets	<u>2,447,702</u>
Total liabilities and net assets	<u>\$ 3,103,587</u>

See accompanying notes to financial statements

# VOYAGEUR ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 827,253	\$ -	\$ 104,557	\$ (722,696)
Middle school	275,414	-	104,555	(170,859)
High school	916,171	-	104,555	(811,616)
Summer school	43,064	-	-	(43,064)
Special education	261,285	-	208,159	(53,126)
Compensatory education	428,916	-	428,916	-
Student support services	170,764	-	-	(170,764)
Staff support services	374,640	-	-	(374,640)
General administration	66,722	-	-	(66,722)
Executive administration	458,437	-	-	(458,437)
Building administration	708,615	-	-	(708,615)
Lunch program	246,234	6,617	192,277	(47,340)
Athletic program	41,662	-	-	(41,662)
Business support services	187,676	-	-	(187,676)
Operations and maintenance	1,335,710	-	-	(1,335,710)
Transportation	51,007	-	-	(51,007)
Central support services	152,986	-	-	(152,986)
Community services	756	-	-	(756)
Unallocated depreciation	82,215	-	-	(82,215)
Total primary government	<u>\$ 6,629,527</u>	<u>\$ 6,617</u>	<u>\$ 1,143,019</u>	<u>(5,479,891)</u>
<b>General purpose revenues:</b>				
State school aid - unrestricted				5,390,313
Interest				4,721
Miscellaneous				5,108
Total general purpose revenues				<u>5,400,142</u>
Deficiency of revenues over expenses				(79,749)
Net assets - July 1, 2007				<u>2,527,451</u>
Net assets - June 30, 2008				<u>\$ 2,447,702</u>

See accompanying notes to financial statements

**VOYAGEUR ACADEMY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2008**

See Independent Auditor's Report

**ASSETS**

	<u>General</u>
Cash and cash equivalents	\$ 1,287,401
Due from other governmental units	1,162,177
Prepaid expenses	<u>111,430</u>
Total assets	<u><u>\$ 2,561,008</u></u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 56,849
Deferred revenue	50,427
Other accrued expenses	<u>548,609</u>
Total liabilities	655,885

**Fund Balances**

Unreserved:	
Undesignated	<u>1,905,123</u>
Total liabilities and fund balances	<u><u>\$ 2,561,008</u></u>

See accompanying notes to financial statements

**VOYAGEUR ACADEMY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2008**

**See Independent Auditor's Report**

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total Governmental Fund Balance</b>	<b>\$ 1,905,123</b>
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,023,163 and the accumulated depreciation is \$480,584.

<u>542,579</u>
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 2,447,702</u></b>
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See accompanying notes to financial statements

# VOYAGEUR ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

	<u>General</u>	<u>School Service</u>
<b>Revenues</b>		
Local sources	\$ 48,528	\$ 6,617
State sources	5,748,359	7,519
Federal sources	553,997	184,758
Total governmental fund revenues	6,350,884	198,894
<b>Expenditures</b>		
Elementary school	827,253	-
Middle school	275,414	-
High school	916,171	-
Summer school	43,064	-
Special education	261,285	-
Compensatory education	428,916	-
Student support services	170,764	-
Staff support services	374,640	-
General administration	66,722	-
Executive administration	458,437	-
Building administration	708,615	-
Lunch program	-	246,234
Athletic program	-	41,662
Business support services	187,676	-
Operations and maintenance	1,335,710	-
Transportation	51,007	-
Central support services	152,986	-
Community services	756	-
Capital outlay	230,383	-
Total governmental fund expenditures	6,489,799	287,896
Deficiency of revenues over expenditures	(138,915)	(89,002)
<b>Other financing sources (uses)</b>		
Operating transfers in	-	89,002
Operating transfers out	(89,002)	-
Total other financing sources (uses)	(89,002)	89,002
Deficiency of revenues and other financing sources over expenditures and other (uses)	(227,917)	-
Fund balance - July 1, 2007	2,133,040	-
Fund balance - June 30, 2008	\$ 1,905,123	\$ -

See accompanying notes to financial statements

# VOYAGEUR ACADEMY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (227,917)</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 230,383	
Depreciation expense	<u>(82,215)</u>	<u>148,168</u>

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (79,749)</u></b>
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See accompanying notes to financial statements

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies**

The accounting policies of Voyageur Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

**Reporting Entity**

Voyageur Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

In August 1998, the Academy entered into a five-year contract with Ferris State University's Board of Control to charter a public school academy. The contract was subsequently renewed in 2003 for an additional five year term. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Ferris State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$164,000.

In July 1998, the Academy entered into a five-year agreement with The Leona Group, L.L.C. At the end of the five years the contract was renewed, for an additional five year period. Under the terms of this agreement, The Leona Group, L.L.C. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Leona Group, L.L.C. ten percent of the Academy's gross revenues. The gross revenues include all receipts of the Academy, excluding any proceeds from borrowings undertaken by the Academy. The total paid for these services amounted to approximately \$654,500 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

**Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

**Basis of Presentation - Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

**VOYAGEUR ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Governmental Funds**

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**School Service Fund** - The school service fund is used to account for the food service and athletic program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and so recognized as revenue in accordance with state law. A major portion of the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon continued qualification for such aid.

**Government-Wide Financial Statements**

The Academy was required to implement GASB Statement No. 34 during the year ended June 30, 2004. The implementation of this pronouncement requires additional statements, schedules and reconciliations in addition to the traditional fund statements. The additional required information is described in greater detail in the following paragraphs.

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general purpose revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general purpose revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

**Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy follows the policy of not capitalizing assets with a cost of less than \$1,000, and a useful life of less than one year. In addition, any item costing under \$1,000 alone but purchased as a group for over \$2,500 will be capitalized. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 39 years
Furniture and equipment	5 - 7 years
Computers and software	3 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
 See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - Stewardship, Compliance and Accountability**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan law. The Academy is required by law to adopt general fund and school service fund budgets. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
<b>General Fund</b>		
Summer school	\$ 34,821	\$ 43,064
Special education	250,396	261,285
Student support services	167,922	170,764
General administration	50,827	66,722
Building administration	687,473	708,615
Transportation	32,880	51,007
Capital outlay	210,110	230,383
<b>School Service Fund</b>		
Lunch program	238,287	246,234

**NOTE 3 - Deposits and Investments**

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. The Academy's uninsured and uncollateralized cash balance as of June 30, 2008 amounted to \$1,160,955.

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 4 - Due From Other Governmental Units**

Amounts owed from governmental units and other consist of the following:

Local sources	\$ 24,273
State sources	1,066,887
Federal sources	<u>71,017</u>
Total	<u>\$ 1,162,177</u>

**NOTE 5 - Accrued Expenses**

Amounts accrued at year end consist of the following:

University oversight fee	\$ 29,817
Purchased services	372,345
Contracts payable	<u>146,447</u>
Total accrued expenses	<u>\$ 548,609</u>

**NOTE 6 - Capital Assets and Depreciation**

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in process	-	178,536	-	178,536
Building	356,525	38,067	-	394,592
Site improvements	14,181	-	-	14,181
Equipment and furniture	<u>373,069</u>	<u>13,780</u>	<u>995</u>	<u>385,854</u>
Subtotal	793,775	230,383	995	1,023,163
Accumulated depreciation	<u>399,364</u>	<u>82,215</u>	<u>995</u>	<u>480,584</u>
Net book value of assets	<u>\$ 394,411</u>	<u>\$ 148,168</u>	<u>\$ -</u>	<u>\$ 542,579</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 7 - Operating Lease**

The Academy has entered into an operating lease agreement with an unrelated third party for a school building. The Academy is responsible for insurance, repairs, and maintenance related to the facilities. Rent is payable on a monthly basis and is equal to 13% of the state aid for the per pupil enrollment. The figure is based upon the September count and goes into effect November 1 of each year. The lease term commenced in July 2003, and expires in June, 2008. The Academy incurred rent expense of approximately \$302,000 in connection with the lease based on its pupil count during the year ended June 30, 2008. The Academy is currently in the process of renegotiating its lease as of the date of these financial statements.

The Academy has entered into an operating lease agreement for a consortium high school with two other academies. In addition to the total lease payments, each academy is jointly and individually liable for all improvements, insurance, taxes, utilities, and repairs related to the facility. The term of the lease is from August, 2002 through August, 2012. The Academy incurred rent expense of \$479,232 in connection with the lease based on its pupil count during the year ended June 30, 2008. Total minimum lease payments for the elementary school and entire consortium are as follows:

	<u>Consortium Total Lease</u>
2009	\$ 576,000
2010	576,000
2011	576,000
2012	576,000
2013	96,000

Rent for the consortium high school is allocated to the three academies based on each academy's pupil count.

**NOTE 8 - Retirement Plan**

All leased employees of the Academy are eligible to participate in a retirement plan established by its management company which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will match up to 6% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The Academy's contributions for the year ended June 30, 2008 amounted to approximately \$95,500.

**NOTE 9 - Interfund Transfers**

During the normal course of the school year the Academy transferred amounts between its two major funds as follows:

	<u>General</u>	<u>School Service</u>
Transfers In	\$ -	\$ 89,002
Transfers Out	89,002	-

**VOYAGEUR ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
See Independent Auditor's Report

**NOTE 10 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11 - Related Party Transactions**

During the normal course of business the Academy contracted with a related party for a food program. The contracted entity is owned by the parents of the school leader. The Academy paid this related party approximately \$107,876 during the year ended June 30, 2008. Amounts owed to the related party as of June 30, 2008 amounted to \$0.

**NOTE 12 - Subsequent Events**

The Academy plans to construct a new operating facility to be ready for the 2009 - 2010 school year. The funding for construction would come from the issuance of revenue bonds. As of the date of these financial statements only preliminary discussions have occurred and funding has not been finalized.

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton E. Powell Jr., CPA

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

**To the Board of Directors  
of Voyageur Academy**

We have audited the accompanying basic financial statements of Voyageur Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Voyageur Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Croskey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

# VOYAGEUR ACADEMY

## REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Local sources	\$ 5,550	\$ 31,326	\$ 48,528
State sources	5,801,375	5,763,918	5,748,359
Federal sources	511,737	616,842	553,997
Total governmental fund revenues	6,318,662	6,412,086	6,350,884
<b>Expenditures</b>			
Elementary school	937,565	847,276	827,253
Middle school	303,469	277,606	275,414
High school	933,588	935,869	916,171
Summer school	23,050	34,821	43,064
Special education	254,996	250,396	261,285
Compensatory education	210,755	464,110	428,916
Student support services	152,600	167,922	170,764
Staff support services	433,521	400,437	374,640
General administration	387,864	50,827	66,722
Executive administration	574,480	462,123	458,437
Building administration	189,842	687,473	708,615
Lunch program	-	-	-
Athletic program	-	-	-
Business support services	106,718	193,598	187,676
Operations and maintenance	1,327,376	1,401,711	1,335,710
Transportation	18,114	32,880	51,007
Central support services	176,136	164,460	152,986
Community services	2,000	2,999	756
Capital outlay	77,469	210,110	230,383
Total governmental fund expenditures	6,109,543	6,584,618	6,489,799
Excess (deficiency) of revenues over expenditures	209,119	(172,532)	(138,915)
<b>Other financing sources (uses)</b>			
Operating transfers in	-	-	-
Operating transfers out	(141,515)	(110,616)	(89,002)
Total other financing sources (uses)	(141,515)	(110,616)	(89,002)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	67,604	(283,148)	(227,917)
Fund balance - July 1, 2007	2,133,040	2,133,040	2,133,040
Fund balance - June 30, 2008	\$ 2,200,644	\$ 1,849,892	\$ 1,905,123

**School Service Fund**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
\$ 6,586	\$ 5,790	\$ 6,617
5,000	7,518	7,519
174,666	180,469	184,758
186,252	193,777	198,894
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
232,767	238,287	246,234
95,000	66,106	41,662
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
327,767	304,393	287,896
(141,515)	(110,616)	(89,002)
141,515	110,616	89,002
-	-	-
141,515	110,616	89,002
-	-	-
-	-	-
\$ -	\$ -	\$ -

# VOYAGEUR ACADEMY

## SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>
<b>Local Sources</b>		
Donations	\$ 2,099	\$ -
Ferris state grant	22,600	-
Food sales	-	6,617
Interest	4,721	-
Merchandise	3,005	-
Special education	16,103	-
	<hr/>	<hr/>
Total local sources	48,528	6,617
<b>State Sources</b>		
At risk	253,045	-
School lunch	-	7,519
Special education	105,001	-
State aid	5,390,313	-
	<hr/>	<hr/>
Total state sources	5,748,359	7,519
<b>Federal Sources</b>		
Food commodities	-	14,392
IDEA special education	87,055	-
School lunch	-	170,366
Title I	404,561	-
Title IIA	58,293	-
Title IID	1,959	-
Title V	2,129	-
	<hr/>	<hr/>
Total federal sources	553,997	184,758
	<hr/>	<hr/>
Total governmental fund revenues	<u>\$ 6,350,884</u>	<u>\$ 198,894</u>

# VOYAGEUR ACADEMY

## SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>
<b>Elementary School</b>		
Purchased services	\$ 743,025	\$ -
Teaching supplies and materials	84,228	-
	<hr/>	<hr/>
Total elementary school	827,253	-
<b>Middle School</b>		
Purchased services	254,521	-
Teaching supplies and materials	20,893	-
	<hr/>	<hr/>
Total middle school	275,414	-
<b>High School</b>		
Purchased services	862,026	-
Teaching supplies and materials	54,145	-
	<hr/>	<hr/>
Total high school	916,171	-
<b>Summer School</b>		
Purchased services	42,599	-
Teaching supplies and materials	465	-
	<hr/>	<hr/>
Total summer school	43,064	-
<b>Special Education</b>		
Purchased services	254,057	-
Teaching supplies and materials	7,228	-
	<hr/>	<hr/>
Total special education	261,285	-

# VOYAGEUR ACADEMY

## SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>
<b>Compensatory Education</b>		
Purchased services	425,803	-
Teaching supplies and materials	3,113	-
Total compensatory education	428,916	-
<b>Student Support Services</b>		
Health services	6,505	-
Psychological services	13,743	-
Social work services	93,614	-
Speech pathology services	56,902	-
Total student support services	170,764	-
<b>Staff Support Services</b>		
Management fees	130,896	-
Professional and technical services	20,339	-
Purchased services	171,877	-
Teaching supplies and materials	14,070	-
Workshops and conferences	37,366	-
Miscellaneous	92	-
Total staff support services	374,640	-
<b>General Administration</b>		
Dues and fees	8,535	-
Professional services	43,776	-
Purchased services	4,064	-
Miscellaneous	10,347	-
Total general administration	66,722	-
<b>Executive Administration</b>		
Management fees	294,515	-
University oversight	163,922	-
Total executive administration	458,437	-

## VOYAGEUR ACADEMY

### SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>
<b>Building Administration</b>		
Dues and fees	5,005	-
Postage	12,034	-
Purchased services	628,527	-
Supplies and other	60,484	-
Workshops and conferences	1,688	-
Miscellaneous	877	-
Total building administration	708,615	-
<b>Lunch Program</b>		
Milk and food	-	14,545
Purchased services	-	231,047
Miscellaneous	-	642
Total lunch program	-	246,234
<b>Athletic Program</b>		
Dues and fees	-	11,039
Purchased services	-	14,528
Supplies and materials	-	16,095
Total athletic program	-	41,662
<b>Business Support Services</b>		
Management fees	163,619	-
Purchased services	24,057	-
Total business support services	187,676	-

# VOYAGEUR ACADEMY

## SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>
<b>Operations and Maintenance</b>		
Building rent	784,050	-
Dues and fees	34,426	-
Equipment rental	29,928	-
Liability insurance	39,717	-
Purchased services - security	92,999	-
Repair and maintenance	224,570	-
Supplies and materials	34,569	-
Utilities and telephone	95,451	-
Total operations and maintenance	1,335,710	-
<b>Transportation</b>	51,007	-
<b>Central Support Services</b>		
Copyright fees	25,888	-
Management fees	65,448	-
Marketing and recruitment	48,828	-
Supplies and materials	795	-
Workshops and conferences	12,027	-
Total central support services	152,986	-
<b>Community Services</b>	756	-
<b>Capital Outlay</b>		
General administration	1,003	-
Building improvement services	216,604	-
Operations and maintenance	6,262	-
Staff support	6,514	-
Total capital outlay	230,383	-
Total governmental fund expenditures	<u>\$ 6,489,799</u>	<u>\$ 287,896</u>

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton E. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*with Government Auditing Standards*

**To the Board of Directors  
of Voyageur Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Voyageur Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Voyageur Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Voyageur Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance

As part of obtaining reasonable assurance about whether Voyager Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

  
Croskey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

**Voyageur Academy**

**Detroit, Michigan**

**Federal Awards  
Supplemental Information**

**June 30, 2008**

**CROSKEY, LANNI & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of Voyageur Academy**

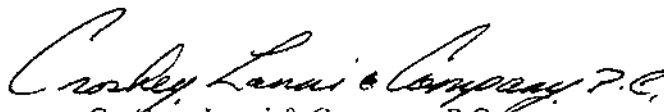
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Voyageur Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Voyageur Academy's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organization and is not a required part of the basic financial statements. The information contained in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Voyageur Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Crofkey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton F. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

**To the Board of Directors  
of Voyageur Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Voyageur Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Voyageur Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Voyageur Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Voyageur Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance**

As part of obtaining reasonable assurance about whether Voyageur Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

  
Croskey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA  
Clifton F. Powell Jr., CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
of Voyageur Academy**

**Compliance**

We have audited the compliance of Voyageur Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Voyageur Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Voyageur Academy's management. Our responsibility is to express an opinion based on Voyageur Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Voyageur Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Voyageur Academy's compliance with those requirements.

In our opinion, Voyageur Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-01.

## Internal Control Over Compliance

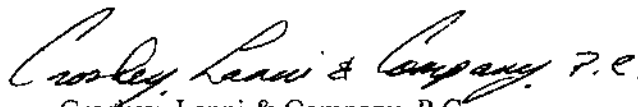
The management of Voyageur Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Voyageur Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Voyageur Academy's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Voyageur Academy's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Voyageur Academy's response and, accordingly, we express no opinion on it.

  
Croskey, Lanni & Company, P.C.

August 29, 2008  
Rochester, Michigan

**VOYAGEUR ACADEMY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
<b>US Department of Agriculture</b>								
<b>Passed through Michigan Department of Education:</b>								
<b>Child Nutrition Cluster</b>								
School Lunch Breakfast Program	10.553	\$ 17,140	\$ 9,757	\$ -	\$ -	\$ 17,140	\$ 17,140	\$ -
National School Lunch Program	10.555	154,284	131,200	1,058	-	154,284	153,226	-
Total National School Lunch Cluster		171,424	140,957	1,058	-	171,424	170,366	-
<b>Government Commodities</b>								
Entitlement 2007-08	10.565	13,166	12,363	-	-	13,166	13,166	-
Bonus		1,226	362	-	-	1,226	1,226	-
Total Government Commodities		14,392	12,725	-	-	14,392	14,392	-
<b>Total US Department of Agriculture, Passed through Michigan Department of Education</b>								
		185,816	153,682	1,058	-	185,816	184,758	-
<b>US Department of Education</b>								
<b>Passed through the Wayne County RESA</b>								
<b>I.D.E.A. Cluster</b>	84.027							
070450 0708		71,986	-	9,229	-	89,085	79,856	-
Transition grant 0607		1,291	-	1,291	-	1,291	-	-
Transition grant 0708		1,591	-	-	-	1,263	1,263	-
Total I.D.E.A. Cluster		74,868	-	10,520	-	91,639	81,119	-
<b>Safe &amp; Drug Free</b>	84.186							
06/07		3,850	-	(2,085)	-	-	2,085	-
07/08		3,850	-	-	-	3,850	3,850	-
Total Safe & Drug Free		7,700	-	(2,085)	-	3,850	5,935	-
<b>Total US Department of Education Passed through the Wayne County RESA</b>								
		82,568	-	8,435	-	95,489	87,054	-

# VOYAGEUR ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
<b>US Department of Education</b>								
<b>Passed through the Michigan Department of Education</b>								
<b>Title I</b>								
071530 0607	84 010	356,860	-	53,672	-	111,952	58,280	-
081530 0708		402,729	272,191	-	-	282,651	346,282	63,631
<b>Title V</b>								
070250 0607	84 298	3,243	3,245	236	-	236	-	-
080250 0708		3,308	-	-	-	2,000	2,129	129
<b>Technology Literacy Challenge</b>								
084290 0708	84 318	3,537	-	-	-	846	1,959	1,113
<b>Improving Teacher Quality</b>								
070520 0607	84 367	46,444	34,182	9,237	-	9,865	628	-
080520 0708		57,665	-	-	-	51,521	57,665	6,144
<b>Total US Department of Education</b>		<b>873,786</b>	<b>309,618</b>	<b>63,145</b>	<b>-</b>	<b>459,071</b>	<b>466,943</b>	<b>71,017</b>
<b>Passed through from the Michigan Department of Education</b>								
<b>Total federal awards</b>		<b>\$ 1,142,170</b>	<b>\$ 463,300</b>	<b>\$ 72,638</b>	<b>\$ -</b>	<b>\$ 740,376</b>	<b>\$ 738,755</b>	<b>\$ 71,017</b>

**VOYAGEUR ACADEMY**

**RECONCILIATION OF BASIC FINANCIAL STATEMENTS  
FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Revenue from federal sources - As reported on financial statements  
(includes all funds):

General Fund	\$ 553,997
School Service Fund	<u>184,758</u>

Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 738,755</u></u>
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## **VOYAGEUR ACADEMY**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

#### **NOTE 1 - Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Voyager Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **NOTE 2 - Noncash Assistance**

The value of the non-cash assistance received was determined in accordance with the provisions of OMB Circular A-133.

#### **NOTE 3 - Grant Section Auditor's Report**

Management has utilized Form R-7120 and the Grant Auditor's Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

## VOYAGEUR ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of the auditor's results:

1. An unqualified opinion on the Academy's financial statements was issued.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. One significant deficiency in the internal control over major programs was disclosed by the audit. The deficiency is not reported as a material weakness.
5. An unqualified opinion on the Academy's compliance for major programs was issued.
6. The audit disclosed one finding which was required to be reported.
7. The Academy's major federal program is: Title I(CFDA 84.010).
8. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has met the conditions required for qualification as a low-risk auditee.

B. There are no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

C. There were audit findings and questioned costs that are required to be reported in accordance with section 510(a) of Circular A-133.

## VOYAGEUR ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Reference  
Number

Findings

08-01

**Program Name** - CFDA # 84.010: Title I

**Pass-Through Entity** - Michigan Department of Education

**Finding Type** - Significant deficiency and noncompliance

**Criteria** - In accordance with OMB Circular A-87, Attachment B all employees that sign 100% certifications attesting that they acknowledge all of their salaries are charged to the grant, must be charged 100% to the program, and all employees split time between federal and other, their time must be supported by Personnel Activity Reports (PAR's)

**Condition** - The Academy had some salaries charged to other than the grant when the certification of 100% was signed, and the Academy was missing some PAR's to support the payroll charged to its major program.

**Questioned** - A sample totaling \$122,112 was selected for audit from a population of \$404,562. Questioned costs totaling \$9,704 were found in noncompliance.

**Cause / Effect** - Academies are required to have supporting documents (PAR's and certifications) for the time charged to major programs.

**Recommendation** - The Academy should implement additional internal controls and procedures to insure that payroll charged to federal grants are supported by federally mandated documentation.

**Auditee Response** - The Academy will implement additional internal controls to insure proper reports are completed accurately to support the salaries charged to the grants.